

BILL # HB 2509

TITLE: payroll deductions; declaration of purpose

SPONSOR: Graf

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Steve Grunig

FISCAL ANALYSIS

Description

This bill would require nongovernmental payees receiving payroll deductions from employees of school districts, the state, or subdivisions of the state, to file a declaration describing the purpose of the deduction and stating that no monies received will be used for the purposes of influencing the outcome of an election. The Auditor General would be required to verify the declarations.

Estimated Impact

The Auditor General estimates that the ongoing cost associated with the bill is \$6,100 per audited payee. An exact cost cannot be determined without knowing the number of eligible payees for state, school district, and subdivisions payroll deductions that would be audited each year. Assuming the Auditor General cost per audit, the cost to audit the state's "nongovernmental payees" would be \$1,442,000 for the first year, with continuing annual expenditures of \$1,314,200.

Analysis

State employees can make deductions from their salary or wages for insurance, savings programs, dues to recognized associations, and contributions to charitable organizations. Charitable organizations receiving tax exempt status from the Internal Revenue Service may engage in "lobbying" which is defined as influencing the outcome of legislation, but may not engage in "political activity", which is defined as influencing the outcome of an election for federal, state, or local office. The bill would require the Auditor General to verify that organizations refrain from influencing the outcome of an election.

The Auditor General estimates that each payee audit would require 120 hours to complete. The Auditor General believes that each audit would require a detailed examination of expenditures to verify that inappropriate use of funds had not occurred. The estimate assumes a 3-year audit schedule and therefore assumes that three years of financial information would be examined during each audit. According to the Auditor General, each 120 hours of audit time would have an associated salary, benefits and operating cost of \$6,110. The Auditor General also estimates that there would be \$127,800 in one-time expenses for initiating the program which includes, office equipment, hardware and software for records keeping. For purposes of this cost analysis, we have used the Auditor General's information and have not developed our own estimates.

The range of potential costs for the bill can be derived from the following estimate. If only state employees are considered, there are over 600 charitable organizations that participate in the State Employees Charitable Campaign and a small number of organization such as the Fraternal Order of Police that receives dues through payroll deductions, a total of approximately 648 payees. The Auditor General would be required to audit the expenditures of each organization. If these audits are performed on a rotating 3-year schedule, 216 audits would be performed each year. For the state government portion alone, the Auditor General believe it would need an additional 18 FTE Positions. In addition to the \$127,800 for one-time startup costs, the bill would require annual expenses of \$1,082,900 for Personal Services and benefits, \$231,300 for annual travel and other operating expenditures. Total first-year costs for a program only for state employee contributions would be \$1,442,000 with continuing annual expenditures of \$1,314,200.

The number of payee organizations that would be added through the inclusion of school district and subdivisions employee payroll deductions is likely to be small, as most of these organizations probably are included in the 648 payees associated with state employee deductions.

Local Government Impact

None.